

September 16, 2016

The Honorable President Barack Obama
President of the United States
1600 Pennsylvania Ave
Washington, DC 20006

Re: Private Student Loan Debt "Relief" Companies

Dear Mr. President:

Over 15 organizations have joined together to urge your Administration to take action against student loan debt "relief" companies. In addition, 15,915 people signed [Student Debt Crisis' petition](#) to crack down on private companies taking advantage of student loan borrowers. It is essential that the Department of Education, the Consumer Financial Protection Bureau, the Federal Trade Commission, and law enforcement work together to protect the 43 million Americans with student loan debt from predatory practices. **We strongly encourage your Administration to investigate companies engaged in deception and fraud, and take immediate action against those that are found misleading borrowers and violating federal law.**

Private companies that charge for student debt assistance, loan discharge, forgiveness, and consolidation services that are otherwise free must be closely monitored. If they are deemed culpable of misrepresenting themselves or violating consumer protection laws, we strongly urge the Administration proactively use its enforcement authority to protect borrowers. Student Debt Crisis and NerdWallet recently surveyed 6,381 people who identified over 200 student debt relief companies that are currently targeting borrowers nationwide. Student loan borrowers need to know that they do not have to pay for help with their federal student loans.

Due to widespread student loan servicing problems, borrowers have become a target for fraudulent student loan debt relief companies, creating confusion for many consumers. Respondents to the survey paid on average, over \$600 for services that are mostly offered for free by the Department of Education and guaranteed to federal student loan borrowers under law. The Department of Education has a vested interest in ensuring student loan servicers are

accurately communicating borrowers' repayment options so millions of people with student debt do not fall victim to predatory debt relief practices.

Top Findings from the Student Debt Crisis/NerdWallet report:

- ***Companies charging for student loan debt relief, forgiveness and consolidation are pervasive: 60 percent of respondents said they've seen advertisements for such companies and 44 percent say a company has contacted them directly.***
- ***Of those who paid for consolidation services, 65 percent did not believe the company's services improved their student loan situation.***
- ***Results varied by race: 15 percent of black respondents say they've paid for student debt relief services, compared with 13 percent of American Indian respondents, 11% of Hispanic respondents, 9 percent of white respondents and 8% of Asian respondents.***
- ***Respondents with the highest amounts of student debt — \$75,000 or more — are more aware of their free options for managing that debt compared with respondents with the smallest debt loads.***

We commend the Department of Education for issuing cease and desist letters to fraudulent student debt relief and consolidation companies and creating content to begin to address the issue. However, we know that more can be done to prevent borrowers from paying for unnecessary services. The Consumer Financial Protection Bureau has contributed to this effort by shutting down three companies and we believe the effectiveness of these actions will be significantly improved with coordinated throughout the Administration.

Therefore, we urge the Administration to proactively:

1. **Use their enforcement tools to shut down companies that are found guilty of misleading borrowers and violating federal law**
2. **Create policies that increase borrower awareness and education**
3. **Protect borrowers from scams; and**

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4. Issue Cease and Desist letters on a consistent basis and display publicly at studentaid.gov

We have attached a list of 247 unique student debt relief companies that were mentioned by borrowers in our survey results, along with relevant comments that were provided. We ask that the Administration improve its coordination between agencies, identify fraudulent relief companies, and publicly take action against those that are breaking the law.

Thank you for your consideration and for your continued work on this important issue.

Sincerely,

AFL-CIO
AFT (American Federation of Teachers, AFL-CIO)
Center for Responsible Lending
Consumer Action
Higher Ed, Not Debt
Maryland Consumer Rights Coalition
National Consumer Law Center
National Education Association
One Wisconsin Now
Roosevelt Institute
Student Debt Crisis
The Institute for College Access and Success
Veterans Education Success
Western New York Law Center
Young Invincibles

cc: Hon. John King, Hon. Ted Mitchell, Hon. Richard Cordray, Seth Frotman